

State of Alaska FY2008 Governor's Operating Budget

Department of Revenue AMBBA Operations RDU/Component Budget Summary

RDU/Component: AMBBA Operations

(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)

Contribution to Department's Mission

The mission of the Alaska Municipal Bond Bank is to provide municipalities with financing options for capital projects.

Core Services

- Issue bonds to make loans to municipalities for capital projects at lower rates than the municipalities would incur elsewhere.
- Educate municipal employees and elected officials on various means of borrowing funds for capital projects.
- Help municipalities gain experience in financial markets and establish a positive credit history.
- Monitor opportunities to issue bonds to refinance existing debt.
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End Results	Strategies to Achieve Results
<p>A: Municipalities will lower their cost of financing.</p> <p><u>Target #1:</u> 100% of new financings will result in savings. <u>Measure #1:</u> Percent of new financings that result in savings to the issuer divided by the total number of new financings.</p> <p><u>Target #2:</u> 100% of advance refinancing will result in at least 3% savings to the issuer. <u>Measure #2:</u> Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.</p> <p><u>Target #3:</u> 100% of current refinancing will result in at least 2% savings to the issuer. <u>Measure #3:</u> Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.</p>	<p>A1: Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.</p> <p><u>Target #1:</u> The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings. <u>Measure #1:</u> (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues</p>

FY2008 Resources Allocated to Achieve Results

<p>FY2008 Component Budget: \$838,300</p>	Personnel:	
	Full time	1
	Part time	0
	Total	1

Performance Measure Detail

A: Result - Municipalities will lower their cost of financing.

Target #1: 100% of new financings will result in savings.

Measure #1: Percent of new financings that result in savings to the issuer divided by the total number of new financings.

New Financings That Resulted in Savings

Fiscal Year	Percent
FY 2002	100%
FY 2003	100%
FY 2004	100%
FY 2005	100%
FY 2006	100%

Analysis of results and challenges: In each fiscal year shown all communities that borrowed funds through the Bond Bank are projected to be paying less debt service (realized savings) than they otherwise might have using other means of financing their project.

Target #2: 100% of advance refinancing will result in at least 3% savings to the issuer.

Measure #2: Percent of advance refinancings that result in savings of at least 3% to the issuer divided by the total number of advance refinancings.

Advance Refinancings that Resulted in Savings of at Least 3%

Fiscal Year	Percent
FY 2002	N/A
FY 2003	N/A
FY 2004	N/A
FY 2005	100%
FY 2006	100%

Analysis of results and challenges: There were no advance refinancings in FY2002, FY2003 or FY2004. In FY2005 there were two series of bonds issued that provided for advance refinancings of outstanding bonds for nine communities. In FY2006 one series of bonds provided advance refinancing savings in excess of 3% for one community. Advance refinancings are on a demand basis and dependent on market conditions therefore we have not projected activity for FY2007.

Target #3: 100% of current refinancing will result in at least 2% savings to the issuer.

Measure #3: Percent of current refinancings that result in savings of at least 2% to the issuer divided by the total number of current refinancings.

Current Refinancings that Resulted in Savings

Fiscal Year	Percent
FY 2003	100%
FY 2004	100%
FY 2005	100%
FY 2006	100%

Analysis of results and challenges: There was one current refinancing in FY2003, two in FY2004, one in FY2005 which resulted in a savings to the municipalities in excess of the requisite 2%, and one in FY2006. The refundings are on a demand basis and contingent on market conditions therefore we have not projected activity for FY2007.

A1: Strategy - Increase percentage of (statewide) municipal bond deals done by Alaska Municipal Bond Bank.

Target #1: The Bond Bank will finance 100% of the deals done statewide by municipalities with less than A2 ratings.

Measure #1: (1) The dollars of bonds issued by the Bond Bank (for less than A2 credits) divided by the total number of dollars issued statewide by less than A2 creditors; (2) The number of bond issues (for less than A2 credits) divided in to the number of bond issues

Statewide Municipal Bond Deals Financed by AMBBA

Fiscal Year	Bonds Issued	# of Loans	# of Communities	% of Dollars Issued	% of < A2 Communities
FY 2004	\$113 million	13	11	79%	92%
FY 2005	\$123 million	18	14	61%	93%
FY 2006	\$77 million	14	11	56%	92%

Analysis of results and challenges: There is no central database where all debt issued statewide exists. The success of our collection of this data will depend largely on the willingness of the municipalities to respond to our requests for information. For FY2005 the bond bank issued \$123 million for 18 loans to 14 communities. This represented 61% of the total dollars issued, 95% of the borrowings for communities, and 93% of the total communities borrowing (for communities with less than an A2 rating). For FY2006 the bond bank issued \$77 million for 14 loans to 11 communities. This represented 56% of the total dollars issued and 92% of the total communities (for communities with less than an A2 rating).

Key Component Challenges

FY2006 saw a continuation of heightened borrowing/lending activity of the AMBBA. From FY2005 to FY2006 outstanding debt increased by 9% to an outstanding balance of \$446.1 million on June 30, 2006. This leaves \$303.9 million that the AMBBA can issue under its statutory limitation of \$750 million. This limitation, previously set at \$300 million, was increased to \$500 million during the 2003 legislative session, and to the current \$750 million level during the 2006 legislative session. The AMBBA will continue to seek to maintain the diversity of the municipalities in the pool, including attempts to attract stronger municipalities with stronger credit ratings, and a broader array of municipal enterprise credits. Having a portfolio of borrowers that represents a diversity of regions and economic activity helps ensure the Bond Bank maintains its favorable credit rating.

Significant Changes in Results to be Delivered in FY2008

With the increase in the statutory limitation on debt issuance of AMBBA during the second session of the 24th Legislature, the AMBBA will redouble effort to add to the pool. This is of particular concern due to rating agency concern over credit concentration with the largest participant in the pool.

Major Component Accomplishments in 2006

- During FY2006 the AMBBA completed four bond issues for a total of \$77.4 million. Of this amount, \$75.7 million funded projects or provided debt service savings in the communities of Seward, Petersburg, Kenai Peninsula Borough, Nome, Wrangell, Aleutians East Borough, City of Ketchikan, Lake & Peninsula Borough, Haines Borough, and the Northwest Arctic Borough. These communities are estimated to have saved over \$3.8 million in reduced issuance costs and lower interest expense.
- Legislation increasing the borrowing cap of the Bond Bank by \$250 million was approved by the Legislature and signed into law by the Governor.
- A new general obligation master indenture was created to allow community revenue bonds to be pooled with other revenue bonds or general obligation bonds. This new indenture has greatly increased program efficiency as well as providing additional flexibility in meeting the needs of communities.

Statutory and Regulatory Authority

AS 44.85 Alaska Municipal Bond Bank Authority

Contact Information
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**AMBBA Operations
Component Financial Summary**

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	92.8	84.3	96.8
72000 Travel	14.0	10.1	10.1
73000 Services	375.1	677.5	727.6
74000 Commodities	2.3	3.8	3.8
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	484.2	775.7	838.3
Funding Sources:			
1104 Alaska Municipal Bond Bank Receipts	484.2	775.7	838.3
Funding Totals	484.2	775.7	838.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Municipal Bond Bank Receipts	51417	484.2	775.7	838.3
Restricted Total		484.2	775.7	838.3
Total Estimated Revenues		484.2	775.7	838.3

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	0.0	0.0	775.7	775.7
Adjustments which will continue current level of service:				
-FY 08 Health Insurance Increases for Exempt Employees	0.0	0.0	0.1	0.1
Proposed budget increases:				
-2nd Year Fiscal Note MBB Authority Bond Cap Increase Ch 75 SLA 2006 (SB265) (Sec. 2 Ch 3 SLA06 P43 L10) (HB365)	0.0	0.0	50.0	50.0
-Retirement and Non-covered Employee Health Insurance Increases for Division of Personnel	0.0	0.0	0.1	0.1
-FY 08 Retirement Systems Rate Increases	0.0	0.0	12.4	12.4
FY2008 Governor	0.0	0.0	838.3	838.3

AMBBA Operations Personal Services Information				
Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	1	1	Annual Salaries	58,951
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	38,486
			<i>Less 0.65% Vacancy Factor</i>	(637)
			Lump Sum Premium Pay	0
Totals	1	1	Total Personal Services	96,800

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
State Investment Officer II	0	0	1	0	1
Totals	0	0	1	0	1